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Via Email

PJM Membership

Re: Potential FTR Inadequacy

Dear Members:

As you are aware, Transmission Owners must give PJM Interconnection, L.L.C. (“PJM”) advance notice of all planned transmission outages. Section 1.9.2(c)(i) of the PJM Open Access Transmission Tariff (“Tariff”) and the parallel provision of Schedule 1 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”) specifically provide that Transmission Owners should use reasonable efforts to submit notice one year in advance, but in any event no later than the first of the month six months in advance of the requested start date, for all transmission outages that are expected to exceed five working days in accordance with the procedures specified in the Consolidated Transmission Owners Agreement and the PJM Manuals. PJM Manual 3 provides in Section 4.2 that: “Outages scheduled for the following Planning year (i.e. June 1 – May 31) exceeding 30 days in duration are to be submitted via eDART by February 1 for use in the annual FTR auction.” Finally, Section 1.9.2(c)(ii) states that if the Transmission Owner doesn’t submit notice of the outage in accordance with these requirements, if PJM determines that the outage has the potential to cause significant system impacts, including reliability impacts and transmission system congestion, PJM can require the Transmission Owner to implement an alternative outage schedule to reduce or avoid such impacts.

On February 22, 2011, a Transmission Owner submitted a Planned Transmission Outage in eDART which it anticipates will extend from September 12, 2011 to December 9, 2011.¹ Because the outage was not submitted in eDART by February 1, 2011, it was not considered in the simultaneous feasibility test (“SFT”) for the Annual FTR Auction conducted for the 2011/2012 Planning Year. However, this outage is a prerequisite for additional work that needs to be completed in early 2012.² Additionally, the referenced Planned Transmission Outage will be coordinated with other outages and available switching procedures, allowing PJM to work to minimize

¹ Following PJM discussions with the Transmission Owner, the schedule for the outage has since been shortened to end on November 18, 2011.

² PJM notes that these additional outages were also submitted after February 1, 2011 and also have the potential to cause significant revenue inadequacy. PJM will continue to evaluate these outages to determine whether they will be taken as scheduled as their scheduled start dates approach.

congestion impacts to the extent possible. For these reasons, PJM determined that it is in the best interest of reliability to take the outage at the requested time rather than requiring an alternative outage to be scheduled for a later date.

Notwithstanding the foregoing, PJM wants to make Members and market participants aware that if significant congestion does in fact occur, it will contribute to substantial Financial Transmission Right (“FTR”) revenue inadequacy for the period the outage exists since the outage in question was not considered by PJM in the annual SFT. The outage was modeled in monthly auctions, and analysis indicates that the annual allocation exceeds transmission capability for the period when the outage is occurring. PJM took into consideration all information available to it, including the reliability implications, and determined that it was in the best interest of the system to allow the outage to proceed at the scheduled time despite the potential risk of FTR funding shortfall.

Should you have any questions with regard to this matter, please do not hesitate to contact me.

Sincerely,

F. Stuart Bresler III

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